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**Finance Committee**

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**HB 2646**

**Brief Description:** Providing a sales tax exemption for trail grooming.

**Sponsors:** Representatives Wallace, Hinkle, Haigh and Holmquist.

**Brief Summary of Bill**

- Exempts purchases of trail grooming services by the state or private individuals from retail sales tax.

**Hearing Date:** 1/27/06

**Staff:** Mark Matteson (786-7145).

**Background:**

*Retail sales and use tax.* The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax base includes goods and certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent; currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state which were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

Included in the retail sales and use tax base are charges made for clearing land and moving earth, except where land is leveled for the purpose of farming, and for charges for snow removal.

*Sno-Park and trail grooming.* The Parks and Recreation Commission (Commission) has managed a winter recreation program since 1975 called Sno-Park. The Commission provides cleared parking areas in close proximity to groomed and backcountry trails on public, private and government lands. The Commission contracts with vendors to provide the trail grooming services, in which the vendor maintains and arranges the snow cover on the trails to facilitate the type of designated winter recreation for the trail.

A 2004 audit by the Department of Revenue found that the Commission should pay sales and use taxes on its purchased trail grooming services.

**Summary of Bill:**

Sales of trail grooming services to the state or to private landowners are exempt from the retail sales tax. Trail grooming includes the activity of snow compacting, snow redistribution, or snow removal on state-owned or privately-owned trails.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.